

**Internal Revenue Service**

P.O. Box 2508

Cincinnati, OH 45201

**Department of the Treasury**

Number: **201713011**

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**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: January 5, 2017**

**LEGEND**

UIL: 4945.04-04

B = Program Name

D = Number

E = Number

F = Number

x dollars= Amount

y dollars= Amount

z dollars= Amount

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

**Our determination**

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

Your letter indicates that you will operate an educational grant program called B. The purpose of B is to support your charitable mission of identifying bold innovations, inventions, and discoveries. Awards will be given to selected individuals, teams, or organizations for the purpose of developing and implementing proposed innovative solutions to improve the future of humanity. Examples of topics that proposed solutions may address include the arts, education, human rights, or science and technology.

The selection criteria for recipients for B will be on an objective and nondiscriminatory basis, and recipients will be chosen on the basis of criteria reasonably related to its purposes. These criteria will include (i) potential for transformative and lasting impact, (ii) demonstration of a feasible and achievable path to implementation, and (iii) the boldness of their vision to benefit our shared future.

To be eligible for B, applicants must meet all submission deadlines, submit an application in English with completed responses to all required questions, agree to all of B's legal terms and conditions, be able to legally receive unrestricted grant funding, and if not applying as part of an organization, provide three professional references.

The following persons are not eligible: (a) your current and former full-time employees, officers, and agents, (b) any members of the immediate families (parent, child, sibling and spouse of each) and those living in the same households as the persons listed in (a), (c) any members of the immediate families (parent, child, sibling and spouse of each) and those living in the same households as the judges or members of the selection committee, and (d) individuals who are part of the selection committee.

Information about B and the grant application will be on your website as well as in press releases that you issue. Although you will focus your announcements for B in the United States, applicants outside of the United States may also participate.

The application requires applicants to provide a detailed description of their solution including describing what area the proposed solution will address, and what inspires and motivates the applicants to pursue their proposed solution. In addition, there must be a description of the expected outcomes and impact of the solution and how the results will be evaluated and measured as well as the transformational impact for the target community.

The selection committee for B will consist of the B administrator and of a panel in the range of D judges, representing various areas such as Arts, Culture, Media, Education, Environment, Health as well as science and technology. Your selection committee will be determined based on the selected areas of focus of B for that year, which may differ from year to year, as well as availability and interest of members to continue to serve.

The criteria for serving as a judge will be based on whether the person:

- Is an innovator in his or her field, with the ability to evaluate the feasibility of cutting edge, innovative solutions for social impact and the ability to evaluate the actual impact of a proposal.
- Understands current global humanitarian issues and challenges.
- Has knowledge of solutions that have worked and have not worked in the past.
- Is diverse in their backgrounds, professions, perspectives, and experiences.

The selection committee will score the applications based on their transformational impact in that there will be meaningful results for the targeted community, feasibility of

implementation and boldness in that the solution is unique and different from other attempts addressing similar issues.

The recipients will be the applications that receive the highest scores. You intend to give E awards each year totaling z dollars. There will be a first place winner receiving x dollars and F awards of y dollars each.

The selection committee however, may adjust the amount of the E awards depending on the amount of requested funding by the winning entrants. For example, if the highest scoring entrant's financial requirement is less than the full amount allocated, the selection committee in its discretion may award more funds to the second-highest scoring entrant. You will have final approval of the award amounts and selected recipients.

Recipients must sign a grant agreement which requires them among other things to (i) submit annual and final reports about their progress toward achieving their proposed solutions, (ii) maintain receipts and documentation on the use of the funds, and (iii) use the funds only for the purposes approved by you.

The grant agreement also stipulates that if a recipient fails to submit the required reports, fails to use the funds for approved purposes, or otherwise fails to abide by the terms of the grant agreement, you may request (i) a return of the entire amount or (ii) specific performance by the recipient. In addition, any portion of the award that is not expended or committed for the purposes authorized by you must be returned.

Once B begins, you will maintain case histories showing recipients of the awards, the award amounts, the manner of selection, and any relationships of recipients to officers, trustees, or donors.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
  - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

**Other conditions that apply to this determination**

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements